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For information

Report on progress in implementing the biennial support budget for 1998-1999

Summary

The Executive Director is submitting the present report on the implementation of the support budget for 1998-1999 to the Executive Board in response to its decision 1998/2 (E/ICEF/1998/6/Rev.1) on the biennial support budget for 1998-1999 adopted at the first regular Board session in January 1998.

* E/ICEF/1999/2.

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I. Introduction

1. The present report on the implementation of the support budget for 1998-1999 was prepared in response to decision 1998/2 (E/ICEF/1998/6/Rev.1) on the biennial support budget for 1998-1999 which was adopted by the Executive Board at its first regular session in January 1998. In that decision, the Executive Board requested the Executive Director "to ensure that the current ratio of management and administration costs and programme support costs to programme resources will be contained; and to report to the Executive Board at its first regular session in 1999 on progress in implementing the biennial support budget for 1998-1999, taking into account the review of the medium-term plan, the levels of general resources, costs and income, the effect of currency fluctuations and implications for human resources; and to make any necessary recommendations to be implemented".

II. Implementation

2. Once the support budget for the biennium is approved by the Executive Board, UNICEF management reviews the movement of three major variables: (a) income projection; (b) effect of changes in the exchange rate and salary scales on the support budget; and (c) actual incumbency situation. It also monitors areas where savings are made, or other unanticipated cost increases. The principle applied is that cost increases must be absorbed within the approved budget. The following paragraphs explain the income projection and expenditure estimates.

III. Income projection

3. The medium-term plan (E/ICEF/1998/13), submitted to the Board at its second regular session in September 1998, was approved as a framework of projections (decision 1998/22). The comparison of the income projection in the medium-term plan with the 1997 medium-term plan (E/ICEF/1997/AB/L.10), which was used for the preparation of the biennial support budget for 1998-1999, is summarized below.

Table 1. Income projection

(In millions of United States dollars)

	1998-1999 (original) (1997 MTP)	*1998-1999 (1998 MTP)*	*Increase/ (decrease)*	*Percentage*
General resources	1 123	1 115	(8)	(0.7)
Supplementary funding	780	798	18	2.3
Total	1 903	1 913	10	0.5

4. The revised general resources income projection for 1998-1999 is $8 million, or 0.7 per cent less than the 1997 medium-term plan projection, due mainly to exchange rate movements. The supplementary funding income projection is revised upward by 2 per cent on the basis of current information. The total income projection is revised to $10 million, or 0.5 per cent more

than projected in the 1997 medium-term plan. The actual receipt of pledges so far in 1998 indicates that the 1998 income projection will be met.

IV. Expenditure estimates

Support budget expenditure

5. The support budget expenditure is influenced by the factors mentioned in paragraph 2 above. A combination of changes in the exchange rate and salary scales in 1998 so far is estimated to result in a savings of about $2 million, i.e. 3 per cent of the estimated local post costs for 1998. For international Professional posts, the savings for 1998 are estimated to be about $2 million, i.e. 2 per cent of the estimated international post costs. The vacancy rate averaged around 6 per cent, the same as the rate assumed in the support budget. For 1999, assuming prevailing exchange rates and a 3 per cent salary increase for international Professional posts, it is estimated that $3 million may be saved in estimated post costs in 1999 under this scenario. It should be cautioned, however, that if any variables change, the projected level of savings may not materialize.

6. In general operating costs, savings in some categories are offset by additional requirements in other categories. In view of the fact that this document is drafted in September 1998, it would be too early to estimate any net savings in operating costs for the biennium.

7. Because of the interim approval of changes in the recovery rate for supplementary-funded programmes from 3 to 5 per cent (decision 1998/21), the recovery item in the income to the 1998-1999 biennial support budget is estimated to increase by $4 million, taking into account the higher rate for those new supplementary funding agreements negotiated after the approval of the interim increase in September 1998. This is reflected in the estimated increase in the income to the budget.

8. As shown in table 2 below, it is estimated that the net support budget expenditure from general resources may be $11 million lower than the $478.9 million net appropriation for the biennium ($7 million possible savings in the post costs, as explained in paragraph 5 above, and $4 million in the increase in the recovery account, as explained in paragraph 7 above). Hence the decrease of $8 million in general resources income projection between the two plans can be offset by the estimated decrease in the net support budget expenditure.

Table 2. Support budget expenditure

(In millions of United States dollars)

	1998-1999 (original)	*1998-1999 (projected)*	*Increase/ (decrease)*	*Percentage*
Gross support budget	527.5	520.5	(7.0)	(0.3)
Less income to the budget	48.6	52.6	4.0	8.2
Net support budget	478.9	467.9	(11.0)	(2.2)

Programme expenditure

9. Programme expenditure for 1998-1999 is projected to be $1,440 million in the revised projection, 1 per cent more than the original estimate of $1,426 million in the original budget document (E/ICEF/1998/AB/L.1 and Corr.1). The revision reflects the higher income projection and expenditure implementation for supplementary funds.

Table 3. Programme expenditure

(In millions of United States dollars)

	1998-1999 (original)	*1998-1999 (projected)*	*Increase/ (decrease)*	*Percentage*
General resources	629.0	629.0	0	0
Supplementary funding and special accounts	796.6	810.6	14	1.7
Total	1 425.6	1 439.6	14	1

V. Proportion of support budget to total resources

10. The revised income and expenditure projection as explained above is shown in table 4 to compare with the original amounts reflected in the biennial support budget document (E/ICEF/1998/AB/L.1 and Corr.1, table 3). As shown in table 4 of the present document, the percentage of total resources allocated to programme support and management and administration is expected to be 25.6 per cent (see boxes in table 4), as compared to the 26.1 per cent originally indicated in the support budget document. This is due to a higher programme expenditure and a lower support budget expenditure projection. The percentage of total resources for management and administration is estimated to decrease from 8.5 to 8.3 per cent.

VI. Conclusion

11. The unpredictable economic situation requires UNICEF to proceed with prudence to maintain a stable and viable support capacity for meeting the challenges and mandate of the organization. Therefore, UNICEF management will continue to do the following:

(a) Assume a prudent and conservative income scenario for planning the human resource structure;

(b) Monitor regularly income projection and expenditure implementation;

(c) Review regularly the proportion of the support budget to the total resource projection;

(d) Seek continuously for areas for savings;

(e) Set aside savings once materialized as a contingency against shortfalls in income or unanticipated cost increases.

Table 4. Revised resource plan for 1998-1999

(In millions of United States dollars)

	1998-1999 (original) a/						1998-1999 (projected)					
	Regular resources b/		Other resources c/		Total resources		Regular resources b/		Other resources c/		Total resources	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Resources available												
Opening balance	102.0		301.0		403.0		105.0		269.0		374.0	
Income												
Government	696.0		523.0		1,219.0		684.0		538.0		1,222.0	
Private sector	367.0		249.0		616.0		375.0		260.0		635.0	
Other	60.0		8.0		68.0		56.0		0.0		56.0	
Total income	1,123.0		780.0		1,903.0		1,115.0		798.0		1,913.0	
Reimbursement for services			8.0		8.0				8.0		8.0	
Special accounts			60.0		60.0				60.0		60.0	
Total	1,225.0		1,149.0		2,374.0		1,220.0		1,135.0		2,355.0	
Use of resources												
UNICEF programmes and support activities												
A. Programmes d/	629.0	56.8	796.6	97.0	1,425.6	73.9	629.0	57.3	810.6	96.6	1,439.6	74.4
B. Programme support												
Country and regional offices	243.2	22.0	24.4	3.0	267.6	13.9	236.2	21.5	28.4	3.3	264.6	13.7
Headquarters	71.7	6.5	0.0	0.0	71.7	3.7	70.7	6.4	0.0	0.0	70.7	3.7
Total programme support	314.9	28.4	24.4	3.0	339.3	17.6	306.9	28.0	28.4	3.4	335.3	17.3
C. Management and admin. of org.	164.0	14.8	0.0	0.0	164.0	8.5	161.0	14.7	0.0	0.0	161.0	8.3
Total	1,107.9	100.0	821.0	100.0	1,928.9	100.0	1,096.9	100.0	839.0	100.0	1,935.9	100.0

478.9 — 26.1% — 467.9 — 25.6%

a/ Figures as they appear in table 3 of the biennial support budget for 1998-1999 (E/ICEF/1998/AB/L.1 and Corr.1).

b/ Equivalent to "general resources".

c/ Comprises resources for "supplementary funds for Board-approved programmes", "special accounts for activities relating to UNICEF mandate yet beyond Board approval programmes" and "the provision of procurement services to third parties".

d/ Programme expenditure for other resources includes $40 million for special accounts for each biennium.